

MYTH VS. FACT

HOUSE
REPUBLICAN
CONFERENCE

★ GOP.GOV ★ 109TH Congress ★

DEBORAH PRYCE, CHAIRMAN

In Conjunction with House Committees

Republican Deficit Reduction Act: Myth vs. Fact

House Republicans are committed to reforming government, reducing the deficit and saving Medicaid. Through the Deficit Reduction package, House Republicans are spending taxpayers' money smarter and wiser by implementing common sense reforms. Negative Democrat attacks cannot detract from positive Republican actions. House Republicans are doing it better.

Medicaid Reform: Myth vs. Fact

Myth: *Republicans are cutting Medicaid and hurting those most in need.*

Fact: The reforms included in the Deficit Reduction Act result in over \$11 billion in savings and were supported by the bipartisan National Governor's Association (NGA). Under the Republican proposal, Medicaid will continue to grow at a rate of 7 percent (versus 7.3 percent current projected rate of growth). The Medicaid program is in crisis – it simply cannot be sustained without reform. Medicaid coverage is inadequate and the program has not been updated in over 20 years – despite countless medical advances.

Myth: *Republicans are discouraging Medicaid recipients from accessing care by requiring them to pay for health care services.*

FACT: Today, states can charge a co-payment of no more than \$3 – but providers are prohibited from actually collecting it. That \$3 co-pay has not been updated since 1982 even though the cost of health care continues to rise. The Deficit Reduction Act allows states to enforce the co-pay; it exempts the nation's neediest from the co-pay. This will allow states to create incentives to utilize lower cost medications and more cost effective health care.

Myth: *Pharmacists' Medicaid payments would be cut, impairing access to needed prescription drugs in many communities.*

FACT: Medicaid overpays for prescription drugs. In 2002, the Department of Health and Human Services Inspector General found that Medicaid payments for medicine exceeded pharmacists' true costs by \$1.5 billion. Medicaid once paid \$5,336 for a prescription that cost the pharmacist \$88. The Deficit Reduction Act would change Medicaid payment rates for medicines so they are based more on the average actual sales price of prescription drugs. Additionally, the bill allows the Secretary of HHS to delay implementation of the change in Medicaid reimbursement rates to pharmacies if the Government Accountability Office finds the new reimbursement rates are below the average drug acquisition costs prices paid by pharmacies.

Myth: *Destitute elderly could be denied needed nursing home care and potentially be forced from their nursing homes. Those who try to help their family financially with college assistance or assistance with medical bills would also be penalized.*

FACT: Many middle and upper class individuals utilize estate planners in order to shelter assets and to qualify for Medicaid funded long term care services. The Deficit Reduction Act restricts the ability of "elder law" attorneys to qualify wealthy clients for taxpayer-paid assistance by beginning a penalty period on the date the individual seeks eligibility for Medicaid rather than at the time they transfer the asset. The bill includes protections to ensure that no senior will be denied access to care as a result of innocent mistakes.

Child Care Reform: Myth vs. Fact

Myth: *The Deficit Reduction Act cuts child care funding for working families.*

FACT: Child care assistance is a key element of the 1996 Republican-led welfare reform law that expired in 2002. Since then, the program has been funded through eleven temporary, short-term extensions and child care funding has remained level at about \$4.8 billion. Over the next five years, the Deficit Reduction Act increases spending for child care by \$500 million.

Child Support Reform: Myth vs. Fact

Myth: *The Deficit Reduction Act cuts child support for children and families.*

FACT: The bill has absolutely no effect on child support payments getting to children and families; rather it fixes two inequities in child support *administrative* costs.

First, the bill will gradually reduce the federal matching rate for child support administrative costs from 66 percent to 50 percent – bringing it in line with all other major programs like Medicaid, Food Stamps, Foster Care and Adoption.

Second, states are taking advantage of the federal government by "double dipping" into federal matching funds by treating child support administrative costs as state money.

While the federal government will continue to provide states with bonus money for meeting certain child support goals, this provision will end this wasteful “double-dipping.”

Foster Care Reform: Myth vs. Fact

Myth: *The Deficit Reduction Act cuts foster care for abused and neglected children.*

FACT: The bill has absolutely no effect on ensuring families receive payments for caring for foster children. It only addresses how much and under what circumstances federal funding states may claim to operate their foster care programs.

Agriculture Programs: Myth vs. Fact

Myth: *The Republicans are cutting aid to our farmers at a time when they need it most.*

Fact: The House Deficit Reduction Act maintains current farm bill policies and an agriculture safety net so that the nation’s farmers and ranchers can make decisions – farmers are assured the 2002 Farm Bill policies will remain effectively intact. Farmers who receive direct payments from commodities programs authorized under the generous 2002 Farm Bill will see only a 1 penny reduction on every \$1 worth of benefits.

Myth: *The Republicans are cutting conservation programs and hurting our environment*

FACT: By limiting future enrollment in the Conservation Security Program (CSP), the savings amount to only two percent of existing agriculture conservation spending. All other long-standing conservation programs are left completely intact. Therefore, farmers who are currently participating in the program are not affected and can continue their existing conservation efforts unchanged.

Myth: *Republicans are eliminating funding for rural firefighters through the Rural Firefighters and Emergency Personnel Grant Program in the Department of Agriculture.*

FACT: Duplicative programs in multiple agencies and departments do not solve problems; they only increase government inefficiency and recklessly waste taxpayer dollars. The Department of Homeland Security already provides \$750 million annually for FIRE grants that go to rural and urban fire departments for equipment, and provides \$110 million for SAFER grants to hire personnel.

Food Stamp Reform: Myth vs. Fact

Myth: *Republicans are cutting \$844 million from the food stamp program.*

FACT: Spending on food stamps has doubled in the last five years, from \$17.9 billion in FY 2001 to \$35 billion in FY 2006. Even with the proposed savings to food stamps, spending on the program is projected to rise by \$250 million by FY 2010. Over a six year period, the proposed savings amount to less than one half of one percent of the total spending of the food stamp program, which is projected to be above \$165 billion.

Myth: *The Republicans are kicking people off the Food Stamp program.*

FACT: Under the Deficit Reduction Act, only individuals who meet existing federal financial threshold requirements will continue to receive food stamps.

The Republican Deficit Reduction package limits *automatic* enrollment in the Food Stamp program to those who only receive TANF cash benefits. However, those who were previously automatically enrolled in food stamps because they received other government assistance can still apply for food stamps individually. If they meet the existing financial threshold requirements for food stamps (which have not changed), then they will be re-enrolled in the program.

Under the Deficit Reduction Act, no child will lose school lunch program benefits. Children who were previously qualified for school lunch programs because of their parents' participation in the food stamp program will still remain eligible for school lunch programs even if their parents no longer qualify for food stamps.

Myth: *Republicans are cutting important food aid to the poor.*

FACT: By refocusing food stamp automatic enrollment on those who actually qualify financially, Republicans are targeting aid where it is needed most.

Myth: *Republicans are cutting food aid for legal immigrants who pay taxes.*

FACT: Under current law, non-citizens that enter the U.S. to attain permanent resident status sign an agreement that they will not become wards of the state. Under the House Deficit Reduction plan, legal immigrants may apply for food stamps when they have been in the country for 7 years. After 5 years of residence in the United States, legal immigrants who have applied for citizenship and those aged 60 years or older will remain eligible for food stamps. In the 1996 Welfare Reform Act the waiting period for non-citizens to receive food stamps was set at 10 years.

Education and Student Loans: Myth vs. Fact

Myth: *The Republican Deficit Reduction bill imposes deep cuts in student loans.*

FACT: As more Americans go to college and costs increase, student loan programs have grown significantly. Republicans believe improvements in student loan programs will maintain and even expand benefits and services for students while translating into savings for taxpayers.

Myth: *Republicans are trying to deny minorities a chance to get an education by slashing student aid.*

FACT: Republicans are offering common sense proposals to *reform and strengthen* student aid programs on behalf of students and taxpayers. House Republicans plan to secure the programs' long-term future while generating about \$14.5 billion in savings over the next five years. The plan reduces program waste and inefficiency and places higher education programs on a more stable financial foundation to ensure they remain viable for students today and well into the future.

Myth: *Republican actions are going to benefit lenders at the expense of student borrowers.*

FACT: Under current law, borrowers who consolidate their student loans in order to make a single monthly payment are unable to choose the interest rate that will meet their needs. Republicans are offering consolidation loan borrowers a choice of interest rates so that individual borrowers can choose the rate that will be right for them and taxpayers will have greater security about long-term program costs.

Pensions: Myth vs. Fact

Myth: *This bill will do nothing to protect the long-term stability of the Pension Benefit Guaranty Corporation (PBGC) and the benefits of 44 million Americans.*

FACT: Although the PBGC has enough resources to make benefit payments for the near future, the long-term outlook for the agency is anything but certain. Even though no tax dollars are used to fund the PBGC, should its fiscal condition continue to deteriorate, a taxpayer bailout of the agency is a very real possibility.

Myth: *The financial health of the PBGC is not as dire as some believe.*

FACT: Just four years ago, the PBGC operated with an annual surplus. However, the agency's financial health has been declining rapidly ever since and it currently operates with a \$23 billion deficit. The Deficit Reduction Act will address this reality.

Myth: *The Deficit Reduction Act is the Republican's alternative to comprehensive pension reform.*

FACT: If Congress passes comprehensive pension reform that is signed into law by President Bush before the end of the year, those comprehensive reforms (including the premium increases which are part of such a proposal) would take precedence.

Myth: *The bill will result in more companies being forced into financial distress and lead to further damage to the long term health of the PBGC.*

FACT: The Deficit Reduction Act establishes a \$1,250 per participant termination premium paid for three consecutive years by companies that terminate their plans through bankruptcy, to be paid once companies emerge from bankruptcy.

Low Income Heating Energy Assistance Program (LIHEAP): Myth vs. Fact

Myth: *Republicans are going to leave the poorest Americans out in the cold this winter.*

FACT: Republicans add \$1 billion (a 50 percent increase) to the Low-Income Home Energy Assistance (LIHEAP) Program to help our nation's neediest families heat their homes this winter.

Digital Television Transition: Myth vs. Fact

Myth: *House Republicans are imposing a "Television Tax" on the American People.*

Fact: The Digital Television Transition Act establishes a Consumer Assistance Converter-Box Program which allows every U.S. household to request up to two \$40 coupons to use toward the purchase of digital-to-analog converter boxes.

- Households are eligible for coupons regardless of income or whether they subscribe to cable or satellite services.
- Consumers may obtain request forms at government buildings, and may also obtain and submit the forms electronically.
- Manufacturers are estimating that analog-to-digital television converter boxes will be available for purchase beginning in January of 2008 and will cost approximately \$60 by the time the hard date occurs.
- The Congressional Budget Office has reviewed the converter-box program and determined that the program is fully-funded.

Myth: *Consumers will be left in the dark about the digital television transition.*

FACT: The DTV Transition Act requires an aggressive consumer education program. Manufacturers, retailers, broadcasters, cable providers, satellite providers, consumer groups, the Federal Communications Commission (FCC) and National Telecommunications and Information Administration (NTIA) will be required to educate

and assist consumers about the hard deadline, the converter-box program, and what steps consumers may need to take to continue using analog-only televisions.

#####